

EXHIBIT A

Memorandum

APOTHECON

*Nicki
for your files*

To: List *jk* Date: May 28, 1993
 From: S. Tamiff C.C.: N. DiMaio
 Subject: **LIST PRICE INCREASE
ORAL ANTIBIOTICS**

Per the 1994-98 Strategic Plan, Apothecon is planning to delete Polymox, Betapen and Polycillin-O. These products will be consolidated into the Trimox, Veetids and Principen line. This action is primarily driven by the need to reduce the number of products, SKU's and inventory in accordance with Operation Kick Start. In total, Apothecon will be deleting over 125 SKU's.

The decision for a pharmacy to purchase oral antibiotics is often more determined by third party reimbursement than acquisition price. Historically, third party payor's reimbursement was based on average wholesale price (AWP) as reported by Red Book or 1st Data Bank. A pharmacy which purchased amoxicillin at \$40, which carried an AWP of \$100, would have been reimbursed \$60 by many traditional plans offered by such carriers as Prudential or Aetna.

AWP management strategies have been key to successfully marketing the Apothecon line of antibiotics. Apothecon has kept two lines with two distinct AWPs:

1. Polymox, Betapen and Polycillin-O are considered branded products and maintain the highest AWP in the marketplace. The upside is the high AWP allows for maximum reimbursement. The downside is that many third party plans exclude these products because of high AWP. Fewer plans allow for dispensing of these brands each year.
2. Trimox, Veetids and Principen are considered generics and carry lower AWPs. The upside is all third party plans allow for the use of these products. The downside is that the pharmacy reimbursement levels are lower than Polymox, Betapen and Polycillin-O.

On-going healthcare reform has made the dual AWP strategy less appealing. Many plans now disallow Polymox, Betapen and Polycillin-O. In addition, many third party plans and state programs have created maximum allowable costs (MAC's) which reimburse based on a ceiling and disregards AWP altogether.

The reimbursement climate has shifted sufficiently for Apothecon to delete Polymox, Betapen and Polycillin-O. The value of reduced SKU's, inventory and dual manufacturing now out-weighs the benefit of the reimbursement logic.

Apothecon must now develop a one line (Trimox, Veetids and Principen) AWP strategy that maximizes its Marketing efforts. To do this, a new AWP for the remaining products must be set in the middle of the two lines (e.g. higher than Trimox but lower than Polymox).

Mechanically the way to accomplish this is to raise the list price ($\text{list price} + 25\% = \text{AWP}$) of Trimox, Veetids and Betapen. This is a list price change only. The average selling price of the products will not change. However, the data services will report this as a Bristol-Myers Squibb list price increase.

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Plaintiffs' Exhibit
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 01-12257-PBS

If the price increase does not occur, then Apothecon will not delete the Polymox line, but will delete Belapen and Polycillin-O which are much smaller parts of the line.

Your approval to increase the list price of Trimox, Veetids and Principen as outlined in the attached table is recommended.

APPROVED:

S. Tarriff

 7/6/93

Verbal Approval from SLB 6/28/93
S. Barker

 L. Burg

ST/whs
Attachment

List:

S. Barker
L. Burg

C. E. S. J. S. L. S. C. 12-8-93

OK L. S. J. S. L. S. 8/30/93

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Amoxicillin					
0003-0101-50	Trimox 250mg 100's caps	\$18.96	\$19.91	5%	\$24.89
0015-7278-60	Polymox 250mg 100's caps	\$27.70	deleted		
0003-0101-51	Trimox 250mg 100's caps UNI	\$18.96	\$19.91	5%	\$24.89
0015-7278-66	Polymox 250mg 100's caps UNI	\$29.75	deleted		
0003-0101-60	Trimox 250mg 500's caps	\$90.30	\$94.82	5%	\$118.52
0015-7278-60	Polymox 250mg 500's caps	\$133.73	deleted		
0003-0109-45	Trimox 500mg 50's caps	\$17.72	\$18.61	5%	\$23.26
0015-7279-50	Polymox 500mg 50's caps	\$26.64	deleted		
0003-0109-55	Trimox 500mg 100's caps	-	\$34.73		\$43.41
0015-7279-60	Polymox 500mg 100's caps	\$48.91	deleted		
0003-0109-51	Trimox 500mg 100's caps UNI	\$35.45	\$37.22	5%	\$46.53
0015-7279-66	Polymox 500mg 100's caps UNI	\$50.93	deleted		
0003-0109-60	Trimox 500mg 500's caps	\$145.00	\$152.25	5%	\$190.31
0015-7279-80	Polymox 500mg 500's caps	\$138.38	deleted		
0003-1738-15	Trimox Pediatric Drops	-	\$2.99		\$3.74
0015-7277-16	Polymox Pediatric Drops	\$3.11	deleted		
0003-1737-30	Trimox 125mg/5ml 80ml O/S	\$2.36	\$2.48	5%	\$3.10
0015-7276-35	Polymox 125mg/5ml 80ml O/S	\$4.81	deleted		
0003-1737-40	Trimox 125mg/5ml 100ml O/S	\$2.71	\$2.85	5%	\$3.56
0015-7276-41	Polymox 125mg/5ml 100ml O/S	\$5.88	deleted		
0003-1737-45	Trimox 125mg/5ml 150ml O/S	\$3.13	\$3.29	5%	\$4.11
0015-7276-50	Polymox 125mg/5ml 150ml O/S	\$6.62	deleted		
0003-1738-30	Trimox 250mg/5ml 80ml O/S	\$4.05	\$4.25	5%	\$5.32
0015-7277-35	Polymox 250mg/5ml 80ml O/S	\$7.04	deleted		
0003-1738-40	Trimox 250mg/5ml 100ml O/S	\$4.64	\$4.87	5%	\$6.09
0015-7277-41	Polymox 250mg/5ml 100ml O/S	\$7.78	deleted		
0003-1738-25	Trimox 250mg/5ml 150ml	\$5.38	\$5.65	5%	\$7.06
0015-7277-79	Polymox 250mg/5ml 150ml	\$8.68	deleted		

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			GRAND TOTAL		
			AMOUNT	PERCENT	AMOUNT
Ampicillin					
0003-0122-50	Principen 250mg 100's caps	\$8.93	\$9.38	5%	\$11.72
0015-7992-60	Polycillin 250mg 100's caps	\$15.47	deleted		
0003-0122-51	Principen 250mg 100's caps UNI	\$8.93	\$9.38	5%	\$11.72
0015-7992-66	Polycillin 250mg 100's caps UNI	\$17.48	deleted		
0003-0122-60	Principen 250mg 500's caps	\$31.65	\$33.23	5%	\$41.54
0015-7992-80	Polycillin 250mg 500's caps	\$74.57	deleted		
0003-0134-50	Principen 500mg 100's caps	\$13.48	\$14.16	5%	\$17.71
0015-7993-60	Polycillin 500mg 100's caps	\$27.60	deleted		
0003-0134-51	Principen 500mg 100's caps UNI	\$13.48	\$14.16	5%	\$17.71
0015-7993-66	Polycillin 500mg 100's caps UNI	\$29.62	deleted		
0003-0134-60	Principen 500mg 500's caps	\$57.76	\$60.65	5%	\$75.81
0015-7993-80	Polycillin 500mg 500's caps	\$133.17	deleted		
0003-0969-09	Principen 125mg/5ml 100ml O/S	\$1.75	\$1.84	5%	\$2.30
0015-7988-40	Polycillin 125mg/5ml 100ml O/S	\$2.98	deleted		
0003-0969-52	Principen 125mg/5ml 150ml O/S	\$2.45	\$2.57	5%	\$3.22
0015-7988-50	Polycillin 125mg/5ml 150ml O/S	\$3.83	deleted		
0003-0969-61	Principen 125mg/5ml 200ml O/S	\$3.04	\$3.19	5%	\$3.99
0015-7988-64	Polycillin 125mg/5ml 200ml O/S	\$4.81	deleted		
0003-0972-52	Principen 250mg/5ml 100ml O/S	\$2.34	\$2.46	5%	\$3.07
0015-7884-40	Polycillin 250mg/5ml 100ml O/S	\$4.04	deleted		
0003-0972-47	Principen 250mg/5ml 150ml O/S	\$3.86	\$4.05	5%	\$5.07
0015-7998-50	Polycillin 250mg/5ml 150ml O/S	\$5.88	deleted		
0003-0972-61	Principen 250mg/5ml 200ml O/S	\$4.67	\$4.90	5%	\$6.13
0015-7998-64	Polycillin 250mg/5ml 150ml O/S	\$8.94	deleted		

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Purchased by:						
0003-0681-44	Veetids 125mg/5ml 100ml O/S	\$1.32	\$1.39	5%	\$1.73	
0015-7508-40	Betapen 125mg/5ml 100ml O/S	\$1.98	deleted			
0003-0681-54	Veetids 125mg/5ml 200ml O/S	\$2.28	\$2.39	5%	\$2.99	
0015-7508-64	Betapen 125mg/5ml 200ml O/S	\$2.89	deleted			
0003-0682-44	Veetids 250mg/5ml 100ml O/S	\$1.71	\$1.80	5%	\$2.24	
0015-7507-40	Betapen 250mg/5ml 100ml O/S	\$2.70	deleted			
0003-0682-54	Veetids 250mg/5ml 200ml O/S	\$2.89	\$3.03	5%	\$3.79	
0015-7507-64	Betapen 250mg/5ml 200ml O/S	\$4.42	deleted			
0003-0115-50	Veetids 250mg 100's tabs	\$5.43	\$5.70	5%	\$7.13	
0015-7508-60	Betapen 250mg 100's tabs	\$8.76	deleted			
0003-0115-75	Veetids 250mg 1000's tabs	\$45.59	\$47.87	5%	\$59.84	
0015-7508-90	Betapen 250mg 1000's tabs	\$49.55	deleted			
0003-0116-50	Veetids 500mg 100's tabs	\$10.32	\$10.84	5%	\$13.55	
0015-7509-60	Betapen 500mg 100's tabs	\$12.42	deleted			
0003-0116-75	Veetids 500mg 1000's tabs	\$73.77	\$77.46	5%	\$96.82	
0015-7509-80	Betapen 500mg 1000's tabs	\$61.80	deleted			

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